



**United States Attorney's Office
District of Columbia**

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Former Department of Education Official Pleads Guilty to Filing False Financial Disclosures and Violating Conflict of Interest Laws

--Defendant aided student loan company in which he owned stock--

WASHINGTON - Matteo Fontana, 46, a former high-ranking Department of Education official from Oak Hill, Virginia, pleaded guilty today to Making a False Writing, and Acts Affecting a Personal Financial Interest, Acting U.S. Attorney Channing D. Phillips and Acting Department of Education Inspector General Mary Mitchelson announced today.

The defendant pleaded guilty before Magistrate Judge Deborah A. Robinson of the U.S. District Court for the District of Columbia. Sentencing is scheduled for January 22, 2010. For each charge, the defendant faces a possible statutory sentence of up to one year of imprisonment, a fine of \$100,000, a \$25 special assessment, and a one-year term of supervised release. Under the terms of the defendant's plea agreement, the parties have agreed that the defendant should receive a sentence that includes no imprisonment and a fine of between \$85,000 and \$115,000.

According to information submitted to the Court at the time of the plea, the defendant began working for the Department of Education's Office of Federal Student Aid ("FSA") in November 2002. FSA administers student financial assistance programs such as the Federal Family Education Loan ("FFEL") Program, through which the federal government guarantees billions of dollars in student loans issued annually by private lenders to students and their parents. In February 2004, the defendant was promoted to the position of Deputy General Manager for FSA's Office of Financial Partner Services, with responsibility for overseeing and managing services to private lenders and guaranty agencies involved in the FFEL Program. He later became General Manager of Financial Partner Services.

Due to his seniority, the defendant was required to file financial disclosure forms with Department of Education ethics officials. He was required to disclose sources of income, financial assets, and stock transactions during certain periods. In connection with his hiring, the defendant was advised that ethics laws prohibited him from working on matters in which he had a financial interest, such as stock ownership in companies affected by his work.

In the defendant's initial financial disclosure form, he reported owning stock in Education Lending Group, Inc., a private student loan company in the business of issuing federally

guaranteed student loans. In May 2003, a Department of Education ethics attorney instructed the defendant to notify ethics officials if his Education Lending Group stock became worth \$15,000 or more, to avoid violating conflict of interest laws. Thereafter, the defendant submitted a series of false financial disclosure forms to ethics officials, misrepresenting his holdings and transactions in Education Lending Group stock.

In May 2004, the defendant falsely reported that he had sold his Education Lending Group stock in December 2002, which was untrue. In May 2005, he reported having sold, in July 2004, "EDLG Common" worth between \$100,001 and \$250,000, and falsely claimed to have no other holdings in Education Lending Group. In fact, the defendant had sold 7,500 shares of Education Lending Group for more than \$134,000 in 2004, but he failed to disclose that he continued to own 3,000 additional shares of the company's stock thereafter. He also failed to disclose that, in December 2004, he paid more than \$20,000 to purchase 1,400 shares of the company's stock. In May 2006, the defendant disclosed having had no transactions of Education Lending Group stock in 2005, when in fact he had sold more than \$80,000 worth of the company's stock during that year.

While the defendant owned Education Lending Group stock, he helped to advance the company's business interests before the Department of Education. In July 2004, Student Loan Xpress, a wholly-owned subsidiary of Education Lending Group, applied to the Department of Education for a Lender Identification Number ("LID"), which it needed to pursue a new business portfolio. The company's request was denied, and it appealed the decision to the defendant. Although the defendant owned a prohibited amount of Education Lending Group stock, the defendant directed its subsidiary, Student Loan Xpress, to issue the requested LID, which the company used to issue federally guaranteed student loans.

"This incident demonstrates why Federal conflict of interest rules are on the books," said Acting Inspector General Mitchelson. She added, "Mr. Fontana chose to ignore those rules and that is unacceptable. Officials charged with overseeing the Federal student loan programs must act only in the interest of America's students and taxpayers. My office will continue to work with the Department to ensure that conflict of interest laws are enforced to protect the integrity of Federal education programs."

In announcing today's guilty plea, Acting U.S. Attorney Phillips and Acting Inspector General Mitchelson commended the work of Special Agent Nathan Marceca of the Department of Education, Office of the Inspector General. They also commended the staff of the U.S. Attorney's Office, including Paralegal Specialists Diane Hayes and Maggie McCabe, former Assistant U.S. Attorney Timothy Lynch, who assisted in the investigation of the case, and Assistant U.S. Attorney Jonathan Haray, who investigated and is prosecuting the case.

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